

WHY THE POLICY COULD NOT ABSORB BY SMES? A VIEW THROUGH RECIPROCITY LENS IN A CASE IN VIETNAM

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ABSTRACT

The article analyses the role of firm's capacity on the effectiveness of the SME' support policies in particular and the development policy in general of the government in Vietnam. Using the concepts of absorptive capacity (AC) of firm on technology and policy, the article tries to show the influence of the relationship between government policy and the adoption and transformation of the policies on the enterprise side on the growth. The analysis looks from the business management' point of view to identify issues related to the policy effectiveness. The approach of reciprocity applied in the business management may yield useful findings for practical implications.

Keywords: Policy Impact, Absorptive Capacity, Managerial Approach of Reciprocity, Social Capital.

INTRODUCTION

Productivity is a key concept in human activities at all levels, from individuals, businesses to the economy. It measures the level of results achieved relative to the efforts and resources devoted on an activity, project or policy. At the individual level, it can simply measure the results obtained after putting in a certain amount of effort; but at the enterprise level, it can measure the results of collaboration between many individuals with a certain usage of material and technological resources (called as collaborative productivity). At the economic level, productivity can measure the effectiveness of a government policy.

Vietnam is recognized as a country with a relatively fast growing economy among ASEAN countries and in the region. The average growth rate of 5.7% achieved at the early stage of Vietnam's transition to a market economy mechanism (1991-1995) is considered quite well if not considering the fact that the economy started from a very low level of the post-war period. Productivity growth in the next 15 years (1996 – 2012) slowed down to 4.0%, recovered in the next 6 years (2013-2019) at 5.5% (Ohno et al., 2021). The above mentioned growth was achieved thanks to the positive impact of government policies enacted during this period. However, in addition to these achievements, in a recent study (Ohno et al., 2021), Ohno et al. pointed to the fact that the average growth rate was 4.65% over nearly 30 years (1991) – 2019) of Vietnam is very modest, ranking only second from the bottom compared to the average economies in Asia, and only half that of China (8.96% between 1991 and 2017). The reasons

pointed out in this study lie in policy making. Criticism can direct the attention to the process of making and implementing government policy.

However, the cause may lie on the side of the beneficiaries of the policy: the businesses. In another study conducted in the Red River Delta (Northern part of Vietnam), the survey of above 160 SMEs provides a different perspective on the policy from the view of business managers. The results of the data analysis provide insights into the causes of the policy not being fully effective. The authors (Quan, 2017) have pointed out that a good policy can be seen as ambitious and ineffective if it is not designed in accordance with the receptivity of businesses. In other words, the policy absorptive capacity of enterprises acts as an indicator to measure the effectiveness of a policy to support enterprises.

This article focuses on studying the influence of the relationship between two main factors, which are policy making and policy transformation, on the effectiveness of the policy, from the perspective of the receiver (enterprise) through a practical study on technology absorption capacity of SMEs in Vietnam. Applying the concept of absorptive capacity for “*policy*”, the indicator of policy absorptive capacity can be used to assess the ability to transform supportive policies into resources and operational results of enterprise.

RESEARCH METHODOLOGY

Productivity issues are related not only to government support policies and the implementation of the administrative apparatus, but also to the capacity of enterprises to receive and transform the policies and/or the supports effectiveness of the policy depends on all three of these factors in the policy implementation process. Many studies have been conducted on the influence of these factors on policy effectiveness. In most studies, the chosen approach is mainly focused on the factor itself and the processes that appear related to the factor being studied. It seems that the above approach underestimates or assumes that the other factors are in perfect condition. This approach also implies that the factors operate independently in a non-interacting environment. In reality, the interrelationships between factors cannot be ignored.

In social science, behavioral economics uses the concept of reciprocity for a non-economic response to the behavior of partners in human relationships. In which, the behavior (positive or negative) of one party will be reciprocated by a corresponding behavior from the other party (Fehr & Gächter, 2000; Caliendo et al., 2012). Its application in management is rather scanty. In the above example of Vietnam's productivity growth, the supporting policies to SMEs, including which related to improving technological capacity for SMEs, seems that the goodwill of the government is not reciprocated by corresponding responses from the SME's side. This article focuses on finding out what causes the reciprocity principle of behavioral economics to be violated. It's expected that the principle of reciprocity applied in policy governance and management can help clarifying the influence of the interaction between policy planning and SME's adoption on policy effectiveness. The main research question of the article is to verify the influence of the firm's capacity on the policy's effectiveness.

The study was conducted to approach the problem from the perspective of SMEs, to be able to point out the influential aspects in operation management of SME for the purpose of improving and enhancing SME's capacity in receiving the support policy, rather than criticizing the policy. This approach is also expected to provide useful information to policy makers about

the SME's ability to transform the policy to make the policy more "absorbable" for SMEs in the policy planning and implementation.

Research chooses technology selection and the assessment of enterprise's technology absorption capacity as the object and purpose for studying. This object was selected partly because it is one of the activities performed very popularly and regularly by businesses, partly because of the great need and practical significance for SMEs in developing and integrated economies like Vietnam. For the same reason, the government of Vietnam has issued many policies and devoted a lot of resources to encourage SMEs to receive and use modern technology from other countries. The support from government policies and resources, in certain interactions, manifests the characteristics of the external environment for SMEs. The research question can be found through analysing the role of environmental factors on SME's ability to absorb technology, in the context of the existence of other influencing factors on SME's capacity. In other words, the article focuses on finding meaningful information on the role of the SME's capacity and the environmental factors on SMEs' ability to adopt new technologies in a particular economic sector in a developing economy like Vietnam.

LITERATURE REVIEW

Absorptive Capacity (AC) and Factors

The concept of Absorptive Capacity (AC) was introduced by Cohen and Levinthal (1990). As a construct, Cohen and Levinthal defined AC as "*a firm's ability to recognize the value of information, assimilate it and apply it to commercial ends*". Such a definition emphasized that AC are organizational abilities gained and developed through a process. In addition, the definition suggests the importance of prior knowledge, indicating that acquisition of information related to and which may affect the firm's ability to grow its sales and compete in its marketplace is crucial to sustain its long term competitive advantage. Cohen and Levinthal emphasized the importance of "*recognizing the value*" of new external knowledge, and that such knowledge has to be collectively accumulated over time if capacity enhancements is to be effective. This is because any information will only be useful to an organization if all its members are able to cumulatively understand them, without which they will not be able to transform, re-configure and re-deploy organizational resources to exploit the knowledge gained. In other words, organizations will only benefit from exploitation of any external information they receive if all its members understand its values to the firm and assimilate them in their tasks. This concept was further expanded by Zahra and George (2002) by adding another two dimensions to the process of converting knowledge into actions that will produce competitive advantage potential and realized AC. Potential adaptive capacity refers to enhanced capacity brought about by the firm's abilities to acquire and assimilate information to its knowledge stock. Realized capacity, on the other hand refers to the firm's abilities to enhance its capacity through transformations and exploitations of its existing (or new) productive assets. They reasoned that for any external information to be useful to an organization, it (the firm) must first have the ability to recognize the values and acquire them (dimension of acquisition). This information must be processed so that organizational member can have common understanding about them and assimilate into their work routine (assimilation and transformation). It's only

then can the knowledge gained can be utilized to gain commercial benefits for the firm (exploitation). In another work, Todorova and Durisin (2007) had also provided a convincing arguments to question the need to split the AC construct into potential AC and realized AC. Strayed from the original construct proposed by Cohen and Levinthal (1990), Lane et al. (2006) argued that a firm's absorptive capacities is dependent upon its ability to understand the potential values of new (external) knowledge, to assimilate them into its management systems and to apply them to gain commercial advantage. Cohen and Levinthal's concept of transformation is incorporated and assumed in the assimilation and exploitation which they introduced. While, commented on Zahra and George's suggestion, Todorova and Durisin (2007) argued that the assimilation and transformation components of the AC of Zahra and George are 'alternately' (and interactively) consequential to the acquisition antecedent and are, in turn, antecedent to the to the exploitation dimension. Supported to Zahra and George (2002), Volberda et al. (2010) proposed to consider intra-organizational antecedents and managerial antecedents as factors in AC development. These antecedents include structure of the organization and how that structure aids in finally enabling organizational members to exploit the knowledge for commercial gains such as knowledge related tasks, organizational form, incentive structures, informal networks and the facilities for internal communication within the organization. It is interesting while Lane et al. (2006) use organizational learning theories as a way to understand the concept of AC. And, Volberda et al. (2010) had contributed to the development of AC theory by highlighting the multi-level antecedents and contingent factors that influence the outcome of organizational AC. In their research, Volberda et al. study had highlighted the applicability of AC as an area of research in Strategic Management. Cumulatively, these findings pointed to the plurality of perspectives that AC can be studied from and understood. They also highlight the importance of the firm's capacity to transferring knowledge into behavior and products and that the inability to fully understand the transferring process with a one-side approaches perspective due to its natural settings.

There are many factors that can influence the structure of organizational capacity, including AC. These factors can be individual or organizational. There are two major strands that can be identified from past studies on AC. The first strand addressed the question of what kind of elements contribute to AC – the ability of organizations to value, acquire, assimilate and use external knowledge for commercial gains (e.g. Cohen and Levinthal, 1990; Jansen et al., 2005); while the second strand studied what kind of effects AC has on performance of firms (Escribano e. a., 2009). At individual level, AC was found to be boosted by similarities between knowledge bases, organizational structures, compensation policies and dominant logics between organizations. At the organizational level, amongst the factors identified are prior organizational knowledge (Cohen and Levinthal, 1990; Van-den-Bosch et al., 1999), experience of knowledge search (Fosfuri & Tribo, 2008), formalization (Vega-Jurado et al., 2008) and combinative capabilities (Van-den-Bosch et al., 1999; Jansen et al., 2005). By reviewing 64 papers published in Management literature between 1991-2002, Lane et al. (2006) identified that three themes involve static characteristics of antecedents or outcomes of AC such as knowledge, organizational structure, and organizational scope; another three themes involve dynamic characteristics that have a recursive relationship with AC such as organizational learning, inter-organizational learning, and innovation; and one theme focuses on defining and measuring the AC construct itself. Print this paper of Lane et al. (2006), it is highlighted that many researchers

viewed and operationalized AC as a knowledge base of the existing “*reservoir of knowledge*” in the firm, which includes such as R&D intensity, knowledge content, organizational routines and processes. Regards to the factors which affects the absorption and assimilation by an organization, there are two groups, whereas one group consists of factors on the ability to recognize the knowledge content that are significant, valuable and relevant, such as skills, strategy, culture and structures that allow the organization to adopt to identify, process and select the right knowledge; the other focuses on the factors of the processes through which and the structure in which the identified knowledge can be assimilated and exploited. Innovation is an outcome of organizational learning and knowledge management and is much related AC. Several studies have been carried out linking AC to innovations (Tasi, 2001), to ability to respond to new challenges, providing ideas and inspirations for development of new products and meeting the needs of emerging markets (Jansen et al., 2006; Lichtenthaler, 2009). Past studies suggest that AC helps the speed, frequency and magnitude of innovation and that innovation produces knowledge (that has to be managed) and in the process, becoming parts of AC. In practice, innovations have always been operationalized as patents and new products, and implemented as a component of a new strategy to thwart of competitors. There are some in depth studies examining the nature of the relationship between AC, organizational learning, strategic alliances (inter-organizational learning) and knowledge management. Mariano & Walter (2015) found that there exists a strong relationship between them. AC is seen as a strategic process to enhance the capacity of firms to find solutions to the existing problems and to respond to the challenges to the market. In sum, AC is seen as playing important roles of enabling organizations to enlarge their knowledge and skill base and become a driving force that correct the organization's ability to assimilate, to utilize future information and to exploit the new knowledge to respond to perceived threats to their performance and competitive positioning.

Structure of AC

From a different perspective, researchers point out that the strength of an organization is formed by the combination of three groups of factors: factors related to personal capacity - human capital (HC), factors related to the inner-organizational relationships – social capital (SC), and factors of organizational support – organizational capital (OC). While employee-related factors have been shown such as individual's abilities, skills, experience, personality, learning ability, and their importance to the acquisition and transfer of knowledge, Krebs (2008) still adds that one's ability to connect to others to form a value chain plays a more important role than to exploits her/his individual capacity. Therefore, the role of human relationship in internal systems becomes very important. In another study, Engelman et al., (2015) showed that the AC of an organization depends simultaneously on three groups of factors related to people (skills, quality of human resources), quality of relationships (spirit of cooperation, trust in the organization, organization behavioral patterns), and the active, effective support from management (IT systems and organizational communications). Factual evidence could be found in the work of Hanna and Liisa-Maija (2006). Initiated by Bourdieu in 1986, social capital (SC) is developed by many followers and consists of three main elements: organizational trust, social network, and norm. The value of SC is shown in studies of Woolcock (1997) and Woolcock et al. (2000) that it can be of great help in mobilizing resources to promote economic growth. Within the

enterprise, the role of SC in business results is expressed through influencing factors such as: operating environment, development potential and network of internal linkages inner a firm. The fact that trust plays an important role in developing strong relationships, and that SC can only be promoted when combined with other resources (capital) could be found in the study of Grootaert (1997). This fact is confirmed in another study of Grootaert (1999). Social Development of SC in businesses is continued in the works of Gabbay (2001), Woolcock (2000), Westlund (2003) etc... The organization's support is realized through company's policies and mechanisms. The effectiveness of this support depends to a large extent on the communication system and technical means used. Organizational capital (OC) is used to refer to these two factors. It is recognized that OC plays an important role in promoting the flow of information within the organization, facilitating the collaboration, connecting and initiating, and creating an atmosphere of openness and goodwill. Research by Davide and Manlio (2015) on the link between organizations developing and using technology highlights the importance of partnerships for knowledge and technology transfer. In another study, Becker and Peters (2000) analyzed the impact of technological opportunities on the innovation performance of firms, depending on the AC of the organization. On a broader circumstance, a research of Huggins & Izushi (2007) shows that the use of knowledge is a primary means of wealth creation for individuals, businesses and nations; and it emphasizes the importance of knowledge management in business. In sum, the grouping of factors into three groups of HC, SC and OC clarified the role of factors in constructing up the firm's capacity, including AC. This facilitates the development of a research model based on the factors to four components of an organization's AC. One such model has been developed and deployed to study the construct of internal factors and the influence of external factors to AC in the organization in Vietnam.

Empirical Research

A field study was conducted to survey 162 SMEs of Red River Delta in Northern economic zone of Vietnam. The study was designed to simultaneously measure AC of SMEs in the context of the existing policy environment. AC is measured using traditional scales in terms of their capacity of assimilation, transformation, acquisition and exploitation. These are aspects of the firm's internal capacity to receive new information and knowledge. The influencing factors are expressed according to their roles into three groups of HC, SC, and OC. The research focuses on analyzing the influence of these factors on these four aspects of the organization's AC.

Also, an issue of interest in this study is the influence of the government policies on SME's AC, from the organizational perspective. In which, policy factors are represented through a variable of the operating environment. And the search for information on this matter assumes that "policy" is an object for the SME to "absorb", and that "the effectiveness of the policy depends on the organization's ability to receive and transform (absorb) it". Using the traditional model of the four components of AC, the policy AC index is designed to measure this aspect. Several questions are asked to collect information for analysis. The authenticity of the information is also ensured by deploying a certain number of questionnaires for a SME. The number of questionnaires deployed at 162 SMEs is 442. Thus, in each firm, 3 partial questionnaires were deployed to collect necessary information at 3 levels in the organization: top

manager, intermediates and experts (non-management). Interview questions are designed with the degree of overlap at approximately 30%. The survey is designed in such detail one hand to reduce the burden of providing information to individuals (short questionnaire, compatible with the position) to ensure that the information is rich and authentic, and on the other hand to provide a more comprehensive view of the status of information reception and processing through the different levels within the organization. To further facilitate the respondents, the questionnaires are designed in digital forms and sent in advance to SMEs so that smart phones can be used to answer the questions. Follow-up face-to-face interviews to verify the answer options as well as to gather more information.

The data analysis is carried out for two purposes: (i) to understand the typical structure of investigated SMEs through assessing the impact of the factors of three groups of HC, SC and OC to the AC of SMEs; and (ii) to explore the impact of the policy on the structure of AC by assessing the impact of the operating environment on the organization's AC. The first purpose is conventional, and has been studied extensively; the second purpose is expected to provide insights into the issue of interest: to what extent can the policy create impact on the firm's performance (in term of AC)? Two analytical models were built for these purposes; the first model (1) only considers the relationship between 3 groups of factors to AC, and the second model (2) considers the relationship between them in the presence of environmental factors.

$$AC = \beta_0 + \beta_1*OC + \beta_2*HC + \beta_3*SC + \varepsilon \quad (1)$$

$$AC = \beta_0 + \beta_4*OC + \beta_5*HC + \beta_6*SC + \beta_7*EF + \varepsilon \quad (2)$$

Where AC means Organizational Absorptive Capacity, dependent variable; and OC means Organizational Capital factor; HC means Human Capital factor, independent variable; SC means Social Capital factor, which are internal independent variables; EF stands for Environment factor and is external independent and control variable; $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$ are coefficients; and ε is error term.

While variable HC includes seven questions related to human resource quality such as skills, experience, attitude, understanding of work, motivation..., SC variable consists of five questions related to behavioral patterns, interactions and organizational trust. Too, OC consists of seven questions focusing mainly on the internal communication systems and the facility to access to the systems for the employees (IT systems, physical aspect) for assessing the openness and effectiveness of information systems established in the enterprise. The variable EF includes five questions related to government support policies in general and related to research topics (technology) and policy implementation mechanisms of the administrative apparatus. The questions are measured on a 5-point scale.

It is expected that comparing the results obtained from two models may reveal useful findings.

Processing survey data, the results obtained about the relationship between variables on human resources (HC), organization support (OC) and company policy (SC) are shown in expressions (3) and (4) below:

$$AC = 1.205 + (0.205*OC + 0.238*HC + 0.258*SC) \quad (3)$$

$$AC = 0.309 + (0.301*OC + 0.314*HC + 0.310*SC) - 0.002*EF \quad (4)$$

Research results of SMEs are divided in seven different groups according to the equal classification from “*very weak*” to “*very good*”. Up to 80% of SMEs showed that technology AC was only at “*average*”, where 16.7% “*below average*”, 29% “*average*”, 34.57% “*above average*”. (Other groups of SME are represented by a small number of SMEs, that the result could not be considered as typical). In general, the relationship between technology AC and financial results of the above 80% SMEs presents a positive tendency. However, the tendency of technology AC is not at same in different groups of SMEs according to their financial capacity. While SMEs with “*above average*” financial capacity index show the strongest positive impact of technology AC to financial outcomes, this tendency appears not so strong in the other groups of SMEs with lower financial capacity. (This trend can also be observed in SMEs with “*weak*” and “*very weak*” financial capacity indexes, but the opposite is true for the group with “*good*” financial capacity).

The impact of policy on technology AC is measured by the relationship between policy AC and technology AC. The relationship between the indicators in almost investigated SMEs (94.5% of SMEs) is shown to be positive. It means that all SMEs recognize the positive contribution of the policy to the adoption of new technology by enterprises. Although there are differences between groups with different policy AC capacities, and the outlined above trends between technology AC and financial capacity also repeat in this case. The positive contribution of the policy to the improvement of financial capacity is confirmed through the analysis results of the relationship between the policy AC and the financial strength indicators of 80% of surveyed SMEs. An important difference to highlight is the extent of the effect of policy AC in groups of SMEs with different financial capacity. SMEs in the group with “*average*” financial capacity show the strongest influence of policy AC, while the group with “*above average*” financial capacity shows less impact.

DISCUSSION AND FINDINGS

The typical AC structure of the surveyed SMEs can be seen in expression (3). Consider this as the expression of AC of a typical SME, the contribution of all three groups of factors HC, SC and OC to AC is at the first scan relatively balanced. The level of influence of structural factors ranges from 0.205 to 0.258. Among the three groups of factors, HC and SC are related to the capacity of individuals and collectives (collaboration), and OC is related to policies and mechanisms within the organization (supporting). The interaction between factors within the organization is shown through a constant (intercept = 1.205). However, the influence of structural factors on AC is also different, albeit small. The strongest influence is from the group of factors of organizational relationship (SC), and the least is from the group of organizational factors (OC). In terms of β index, the difference in impact between the groups of influencing factors at the lowest level (OC) and the highest level (SC) is 25.9% and 16% when compared to the remaining factors (HC), based on the lower level. If compared with human resource capacity factors (HC), the motivational factors (SC) have a more positive influence, at 8.4%; while the difference in organizational support (OC) is in the opposite direction, at -13.9%. This means that the factors of organizational relationships, mutual trust and unified organizational pattern (SC) are found to be more important; while, the support from the organization (OC) is said to have less supportive effects in exploiting HC. It needs to highlight its managerial implications that this

fact can lead to different reactive ways of the manager: either the manager has reason to believe that management needs to be improved to better advocate resources of the organization, or focus on exploiting the supposedly more dominant aspect of organizational relationships such as encouraging and facilitating individuals to cooperate and act, or both. Looking at the problem from another angle of managerial approach of reciprocity may have to consider the balance of the simultaneous development of all three factors. Thanks to the reciprocity between the elements in the structure, the AC of the organization is formed. A change in one element (or group) can lead to a change in AC not only due to its sole effects through its own β_i ($i \neq 0$), but also leads to structural changes (the β_i of other factors) and the correlation between them (β_0 , intercept). This change of AC structure can be observed in expression (4) when the active environmental factor EF is present. Ignoring the numerical value, the change in the structure of AC is shown not only in the values of β_i when comparing expressions (4) and (3) but also in their relations in AC structure. In expression (4), the contribution of factors to AC is recorded as greater than shown in expression (3). It means that when affected by external factors, human factors (HC), the quality of the interactions between individuals within the organization (SC) and the systems established within the organization (OC) can contribute more to the transformation of the knowledge and technology transferred. A trap exists when it assumes their contributions will be patterned (i.e. as that's described in (3)). The structural change shown in (4) suggests that there is an exchange of importance, where the human factor (HC) may contribute most, rather than the interactions between individuals (SC). That can be explained, the absorption of factors from the outside takes place stronger in individual employees first, before being transformed into organizational strength. Emotionally, it is easy to conclude that environmental factors, including government policies, are the factors that can create these positive changes in SMEs. This study shows doubtful evidence for the emotional decision mentioned above.

While government policy is recognized as having a positive impact on improving technological capacity and financial performance, through improvements in technology ACs and financial performance indicators, surprisingly, the current policy is in fact assessed by SMEs as not bringing the positive effects as expected. The occurrence of environmental factor (EF) is only recorded at almost zero, even slightly negative through the -0.002 index β_i of the EF factor in expression (4). This undesirable effect requires a thorough investigation of the cause. Usually, the research focus will concentrate on finding the causes at the stage of policy making or implementation. Particularly, the issued policies are considered inappropriate for actual implementation through the administrative system to enterprises, probably because of the characteristics of the industry or geographical area which comprise many features that cause obstacles to impede policy enforcement. But, the cause can also be from the policy AC of businesses; specifically, due to the characteristics of enterprise's ability to receive and transform policies through the human resources, the organizational apparatus, and the internal policies and mechanisms of the enterprise. Maybe the quality of human resources is not high enough to digest the benefits that (internal and external) policies can create.

In fact, the SME's AC also depends on the company's views and priorities in decisions. The results obtained in other studies (Quan, 2016) indicate that the priority of SMEs can be very different depending on the business characteristics (age, form, size and industry), their efficiency performance (human resources, organizational structure and operational capacity) and operating results (financial resources) of the firm. Young and/or low-performing businesses often set the

short-term financial goals at higher priority, while the technology investment is of little interest despite the potential human resources and favourable opportunities. SMEs with average and relatively established capacity pay more attention to market development and brand building through marketing activities. Only about over 20% of enterprises are studied, especially those with activities reaching out to the international market, shows a true interest in prioritizing technology development.

CONCLUSION

There are three points that can be drawn from this article. Firstly, the approach of reciprocity applied to management analysis can provide a useful insight into management to researchers and practitioners at all levels. The strength of a chain depends not only on the links but also on the linkages through the pins. Looking at the “*in-between*” of the factors is what the managerial approach of reciprocity can bring when studying relationship problems in management. The analyses outlined in the previous sections, drawn from a study of SMEs in Vietnam, illustrate the use of this methodology in studying the role of firms in making the policies effective. A basic linkage between the three factors of government policy process – policy making, policy implementation through the bureaucracy, and policy absorption by business – is used to explain the causes of poor performance of policy enforcement as presented at the beginning of the article. While many policies have been issued, including those on technology development and innovation – even, a national program and a national fund (NATIF) have been established for that purpose, the productivity growth rate in Vietnam is still slow during the past three decades; this fact can be partly explained by the ability of enterprises to receive and transform these support policies of the Government. A quantitative study was conducted on 162 SMEs in the Red River Delta in the Northern part of Vietnam on technology absorption AC using the policy AC index to assess this ability from the business side. Research results show that, although it is recognized that the policies have created positive effects on the ability of technology AC and financial performance of enterprises, the cause may lie in the compatibility between the policies, the policy implementation with the receptiveness and desire of SMEs. This compatibility is in fact often ignored in policy studies in Vietnam. This deserves a greater attention to be able to ensure the high effectiveness of the policies.

Secondly, the research results also suggest the need to have a dynamic view on the relationship between factors and to appreciate the role of the interaction between them. The AC of an organization is structured by the interaction of many influencing factors. Each factor presents a different response to an external incentive and, therefore, will affect other elements in the system reciprocally. The reactive effect and the degree of interactions of the structural factors will combine to produce a change in AC. In other words, the interaction makes the impact of each factor on AC no longer at the same level as before the appearance of the external impact. The influence makes change to structural factors. It is a need for a more appropriate approach to study the dynamics of organizational systems in confronting the influences of the changes of the operation environment. It is necessary not only for forecasting changes in the organization, but also useful for intervening to control and manipulate its systems.

Thirdly, the policy implications drawn from this study require policymakers to have a multi-dimensional view, including the perspective of policy recipients and absorbers. To this

point, the stack-holder approach can provide a useful tool for this purpose. Furthermore, the research results show that, instead of focusing only on a few links in the chain of policy making and implementation processes, the attention to the linkage between processes 'links' can set different priority to their synchronization and, therefore, to an appropriate management capacity development support, to ensure a balanced development between the links of the process. This approach could be applicable for the companies regarding the development of supply and/or value chains, while the development of SME's partners is a condition to ensure many sustainable benefits to the principal SME(s). Thus, in order to improve the effectiveness of policies, measures designed to support SMEs must also be harmonized and suitable with the receiving capacity and concerns of SMEs. Even in the condition that comprehensive solutions cannot yet be implemented, supporting projects need to focus on developing a balance and harmony of key pillars according to the approach of sustainable development, in their closely interrelationship of the pillars. This requirement of balance and harmony during the policy making process not only true at the macro level but also at the enterprise level.

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